

# DEACH FANTASY PROVES SEDUCTIVE

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INVESTORS HAVE PUMPED MORE  
THAN \$165 MILLION INTO ART  
DECO RENOVATIONS

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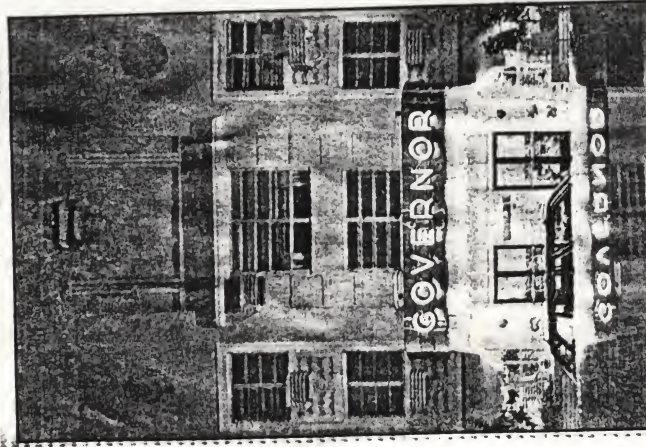
**F**rom the basement of the ocean-front Waldorf Towers hotel to the stage of the Colony Theater on Lincoln Road Mall, a new beat is pulsing through the old streets of South Beach.

Tropical Art Deco, the fluid architectural style that defines South Miami Beach, is suddenly chic. Magazines, movies and television are bringing worldwide attention to a long-forgotten place. Real estate investors have not been far behind.

"We're building an adult theme park out there," said Woody Graber, spokesman for the nonprofit Miami Beach Development Corp. "We are working with fantasy architecture. This is our magic. We are using the fantasy of the architecture to build something new."

Fantasy architecture is proving as seductive as flypaper, drawing swarms of real estate investors, restaurateurs and entrepreneurs to South Beach. Art galleries, ballet studios, discotheques and antique shops have moved into once-vacant stores throughout the mile-square neighborhood.

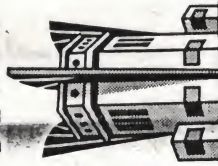
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## REFLECTIONS ON ART MODERNE

Architect Henry Hohauser designed many Art Deco hotels on South Beach, including the 1939 Governor, at 435 21st St. Stainless steel and etched glass entry and eyebrow windows give Moderne look.

## SOUTH BEACH



## AT THE TURNING POINT

## SOUTH BEACH IN PERSPECTIVE

South Florida's showcase historic district hugs Dade County's widest beach and is 15 minutes from Miami's downtown office core, Bayside and the cruise ship capital of North America. Developers hope to lure young professionals to a resort version of Greenwich Village.



When Merrie and Dick Thomas moved to Miami Beach from New York, they settled on South Beach for the urban feel. The mer-

# Streets pulse with new style, v

ART DECO / from 1H

South Beach investment has exceeded \$165 million in the last 18 months, and the changes are everywhere. Hammer blows echo through the district's narrow alleyways as contractors tear apart and rebuild old hotels. Up and down the avenues, green dumpsters piled high with rubble are parked curbside in front of gutted buildings.

This surge of activity comes after decades of decline. South Beach slipped from a middle-class resort in the 1940s to borderline slum in the '70s. The elderly and the poor inherited the densely developed neighborhood. Aged people in hotel deck chairs became a symbol of the place. The image quickly snuffed tourism.

The first hint of a turnaround came eight years ago, when the federal government designated the neighborhood a national historic district. The area, east of Alton Road between Dade Boulevard and Sixth Street, contains 800 buildings. It is the youngest historic district in the country, and the second largest.

Despite national attention, the city of Miami Beach was slow to recognize its potential. South Beach was officially viewed as a culprit undermining the tax base. As the fortunes of the district improve, so does the city's attitude.

"This revival is still very fragile, but we are committed to it 100 percent," said Stuart Rogel, the city's redevelopment director. "Until recently, the city had the idea that nothing was worth saving in the Art Deco District. It looked old, it looked bad and we wanted to get rid of it. Now we realize we are sitting on top of a resource of immense value."

In the early '80s, one company bought seven Art Deco hotels, attempted to restore them and ran deeply into the red. The failure confirmed skeptics' doubts about the district. This time, the dollar amount of South Beach investment is many times greater and it's coming from more people.

## 'Almost unstoppable'

"I was here the first time, when the Carlyle Hotel went bust," said John Yarling, a drummer whose blues band plays at The Tropics International restaurant on Ocean Drive. "This time it seems much more real — you know, almost unstoppable. I'd even buy a Beach place myself, if I had room for a music studio."

The renovation of Deco apartment houses is attracting a new middle class.

Merrie and Dick Thomas, expatriate New Yorkers, say they wouldn't have moved to Florida if it weren't for South Beach.

"We wouldn't be happy in a Levittown suburb," said Merrie Thomas. "The white, middle-class environment doesn't do it for us." She is a manager at The Strand, a

new restaurant on Washington Avenue. Dick Thomas works for a Miami advertising firm, but would like to open his own business in South Beach.

They rent a four-bedroom apartment facing Flamingo Park. The couple, who lived in a gentrified area of Manhattan, discovered South Beach while on vacation a little more than a year ago.

"We're urban people by nature," Dick Thomas said. "Unfortunately, the cost of living in New York finally drove us out. South Beach has the urban feel that we like, but none of the expense."

In Manhattan's Upper West Side, where the Thomases had lived, rent levels typically exceed \$1,500 a month for a one-bedroom apartment. By contrast, a renovated one-bedroom flat in South Beach costs \$450 to \$600 a month. Untouched apartments in the district rent for \$200 to \$300 a month.

While the Thomases like their new community, its schools trou-

ble them. Next year, they plan to enroll their 10-year-old daughter in private school.

"South Beach is turning around, but it will take a lot more than a year or two," Merrie Thomas said. "It's not going to change as quickly as the developers say it will."

Real estate investors prefer to talk about how much South Beach has changed already.

"Two years ago, this was still the elephants' burial ground," said John Allan, a Jacksonville real estate investor who came to Miami Beach this spring in search of property. "There wasn't a thing here to attract anyone with money. I see that as changing, and changing fast."

Allan schedules lunch dates at any of a half-dozen newly opened restaurants. At noon, the eateries are chockablock with developers, often sharing tables.

"Usually there's not a lot of communication between developers," Allan said over a crab meat salad. "It's different here. We

realize it could either work or it could fizzle and we could all fall on our faces."

The word in South Beach today is hang together or hang separately. Thirty new businesses in the district have formed an alternative chamber of commerce called The Network.

## Chamber was opposed

"The Miami Beach Chamber of Commerce was very much opposed to the Art Deco District in the beginning," said Woody Vondreck, president of The Network and owner of Graphics Moderne on Washington Avenue. "We were doing something that was alien to traditional Miami Beach. We're scratching and gouging for business in a neighborhood that was filled with people carrying clubs five years ago."

Vondreck, who opened his printing shop in 1981, said the growing amount of investment is bringing credibility to South Beach businesses.

"A year ago, we had only developers working here," he said. "Now we have half a dozen. It may not be many, but we call threefold increase."

The city has helped at investment through a condemnation program. City Manager Parkins said that since 1981 Miami Beach has condemned substandard buildings. Eight have been sold to developers.

While property condemnation has increased the supply of affordable real estate and reduces blight, it isn't the only government incentive for investing in the district. South Beach's historic status means dollars to develop with money, guts and a good lawyer.

Under the 1986 federal tax deductions are preserved for restoration of designated historic buildings. The write-offs deduct some costs of rehabilitation make it easier for redevelopment investors for their project.

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A mermaid lounges on a wall poolside at the Senator Hotel, which is threatened with demolition.

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Gerry Sanchez, a Cuban-American who built a major historic

restoration company in New York City, was one of the first major redevelopers to come to South Beach. In the last year and a half, he has taken tax deductions to restore three Ocean Drive hotels.

"When I came to Miami Beach from New York 16 months ago, I saw paradise," Sanchez said. "I was a pioneer here. A year and a half ago, only pioneers and risk takers were interested in this place. I like a good risk."

Sanchez concentrated on Ocean Drive hotels, buying and renovating the Waldorf Towers, the Edison and the Breakwater. He also bought the Amsterdam Palace, an apartment building patterned after Christopher Columbus' residence in the Dominican Republic. Sanchez wants to restore the Amsterdam this summer.

"It's a very special building," Sanchez said. "I would like to build a statue of Columbus on the beach in front of the Amsterdam and it would be bigger than the Statue of Liberty."

Sanchez's holdings are near the center of historic Ocean Drive, a portion of the street stretching from Sixth to 15th streets. In the last several years, Sanchez and three other developers have cornered the majority of Ocean Drive's historic real estate.

Mel Schlessner, another transplanted New Yorker, recently bought six South Beach buildings with three partners. Two are on Ocean Drive.

"There is a sense of pioneering for those of us coming here," Schlessner said. "A lot of people in Miami can't see what we see. We see it as an important cultural neighborhood in the making. It's culture with sunshine and a beach."

Schlessner owns the Winterhaven Hotel and a small apartment building on Ocean Drive. Right now, he is converting the former Alamac Hotel on Collins Avenue into an apartment building. Next, he will begin restoring the Gotham, a condemned Euclid Avenue hotel, and the Ritz, a Deco landmark on Collins.

## Joint management

Royale Group, the first of the new generation of developers, bought seven Art Deco hotels in 1983 and has added several properties to the collection since. Its holdings include the Carlyle, the Cardozo, the Leslie and the Tides.

The Carlyle, which was the first hotel with a bar and restaurant on Ocean Drive, has remained popular. Royale owns most of the hotels between 11th and 13th streets. Jacob Der Hagopian Jr., the company's executive vice president, said once renovations are complete, all 450 rooms in the hotels will be managed as though they are in one building.

"We realize we have created something very valuable here," Der Hagopian said. "People love the architecture, and these build-

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# Shortage of parking is next big problem

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ings are on the beach. We see this as giving our property certain value. God isn't creating anymore ocean-front property."

At the lower end of Ocean Drive, New York developer Tony Goldman assembled seven hotels and small apartment houses. His first visit to South Beach was in December 1985.

"I came over here, turned off Fifth Street onto Ocean Drive, and I realized I was on the Yellow Brick Road," Goldman said. "It really changed my life. I had only seen a set-up like this before in the South of France and on the Spanish Riviera."

Goldman, who invested in transitional New York neighborhoods for 20 years, has eclectic interests. He collects art, and has filled the lobbies of his South Beach hotels with paintings and sculpture. He also owns a New York restaurant and brought that interest to the Beach last year when he opened Downstairs at the Waldorf, a jazz club and restaurant.

## Establishes beachhead

"I got into the Waldorf because I wanted to have a music room," Goldman said. "I wanted to get people over here and to get the program going. This was all part of our beachhead operation."

Goldman recently sold his interest in the Waldorf club. He plans to reopen in his own hotel, the Park Central, after he completes renovations this summer. While elderly guests still will be welcome at the Park Central, the image they give a hotel concerns Goldman.

"I really don't want the senior citizens who hang out all day on the front porch," Goldman said. "You know, that would kill my restaurant business."

Predictably, the elderly are upset with the changes in a resort area that had catered to them.

Dorothy Kohn, a 76-year-old New Yorker who has wintered in Miami Beach for 15 years, fretted about the transformation. As she

Photographer Brian  
Smith's colorful view  
of The Promised  
Land / 20H

the rejuvenation of the neighborhood as a threat, the developers worry they may not be doing enough to overcome the negative image many people have of South Beach.

Even with renovations, the old buildings are often noisy and parking is limited. Hotels have rooms that might work as closets in modern resorts, while apartment houses lack swimming pools and workout rooms that are standard in many new buildings.

Even when hotels, apartment buildings and restaurants are restored, their new owners must confront the community. Despite increased police patrols, crime has risen since 1980.

In South Beach, cocaine is sold openly on the streets. Families of six or more often jam tiny one-bedroom apartments. Squatters peer from the shuttered windows of buildings that the city has condemned.

Bob Sherman, 30-year-old president of Diversified Rehabs, has restored five small apartment houses worth \$7.5 million in the interior of the district. Sherman, a native Miamian, said most of his investors live in other cities.

## Out-of-town investors

"Out-of-town investors don't seem as bothered by the risk or the crime," he said. "Perhaps they are more comfortable with the idea of people moving back to the cities. At least when I told them what I wanted to do, they didn't look at me like I was crazy."

While Sherman initially relied on investor capital for his projects, this year he cornered a construction loan from NCNB National Bank, one of the largest banks in

problem finding tenants. But selling apartments was different. Gross said the banks refused to offer affordable loans to his would-be buyers.

## Parking is worrisome

But financing and the image of crime and poverty aren't the only obstacles to South Beach rejuvenation. Parking is especially worrisome.

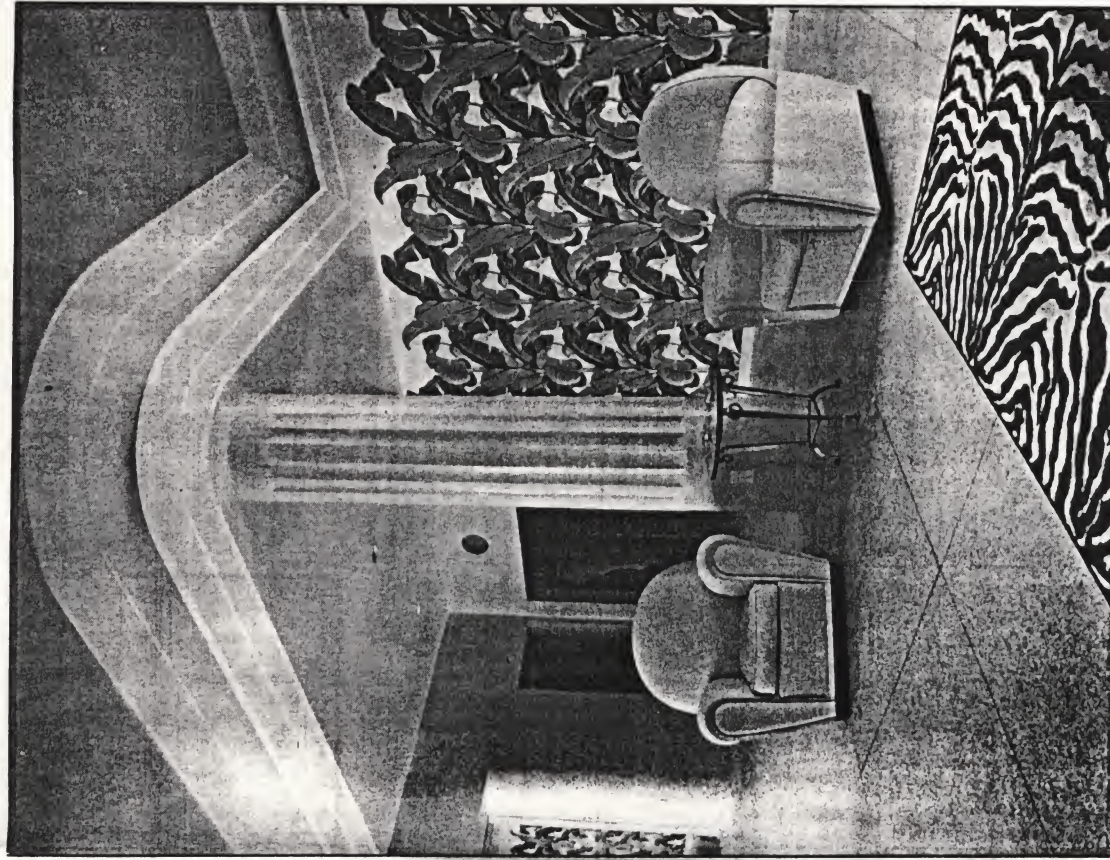
From the area around Joe's Stone Crabs and Crawdaddy's, below Fifth Street, to the Art Deco District itself, almost all the parking spaces are on the street. That was fine in the old days. South Beach, when it boomed in the '30s and '40s, appealed mostly to Northeastern city dwellers who never drove at home and didn't buy cars in Florida.

Today, as hotels and apartments are renovated, the demand for parking is becoming a heated issue. The redevelopers say the revival movement will gag without a solution to the parking problem, but preservationists fear that solution will mean destruction of important buildings in the district.

This month, the Royale Group brought the issue into focus when it announced plans to demolish the Senator, an Art Deco hotel on Collins Avenue, for a parking garage.

"It's tough on parking, but unfortunately, historic districts don't come with a supply," said Royale's Der Hagopian. "We would like to explore alternatives. Still, people should remember that the Senator isn't historical because George Washington slept there, it's historic because it's part of this district."

Preservationists immediately chastised Royale. They also criticized the city for not having a law to block the destruction of significant buildings. Under Miami Beach's historic district ordinance, demolition is permitted as long as a developer notifies the city six months in advance.



The Helen Mar's lobby has been returned to its Art Deco origins. ERICA BERGER / Miami Herald Staff

## Deco condo

Broadway producer expects a hit  
with revival of 1936 building